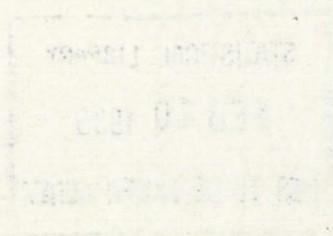


ANNUAL REPORT
OF
THE GOODYEAR TIRE & RUBBER
COMPANY OF CANADA, LIMITED

NEW TORONTO, ONTARIO

1938





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1839 THE CENTENNIAL OF RUBBER 1939

Just a century ago Charles Goodyear discovered the great secret of vulcanization and gave the world the priceless gift of rubber as we know it today. To do him honor The Goodyear Tire & Rubber Company was named.

ANNUAL REPORT

to the Shareholders of

THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED

For the Fiscal Year ended December 31st, 1938

NEW TORONTO, ONTARIO

BOARD OF DIRECTORS

P. W. LITCHFIELD

Chairman
AKRON

A. G. PARTRIDGE
TORONTO

P. A. THOMSON
MONTREAL

C. H. CARLISLE
TORONTO

C. A. STILLMAN
AKRON

J. E. McALLISTER
TORONTO

E. J. THOMAS
AKRON

EXECUTIVE OFFICERS

A. G. PARTRIDGE

President

P. A. THOMSON
Vice-President

R. C. BERKINSHAW
General Manager
and Treasurer

O. H. BARRETT
Secretary
and General Counsel

D. C. CARLISLE
Comptroller

W. H. JEEVES
Assistant Treasurer

H. A. TIPPLE
Assistant Secretary and
Assistant Comptroller

J. W. PHILP

Assistant Treasurer

R. W. RICHARDS
General Sales Manager

E. H. KOKEN
General Superintendent

ANNUAL REPORT OF THE DIRECTORS

of

The Goodyear Tire & Rubber Company
of Canada, Limited

New Toronto, February 1st, 1939.

TO THE SHAREHOLDERS —

Your Board submits a Consolidated Balance Sheet of THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED, and its subsidiary companies, with your auditors' report thereon, which sets forth the result of the operations for the year ended December 31st, 1938 and the present financial position of the combined companies.

The operations of the combined companies for the year have resulted in a profit of \$2,757,587.55 after charging all manufacturing, selling and administrative expenses, income and other taxes, but before providing for depreciation; from this amount there has been set aside a reserve of \$528,708.70 for depreciation of buildings and equipment, leaving a net profit of \$2,228,878.85. This amount of net profit represents an increase of \$864,531.52 in comparison with the profits of the year 1937.

The net earnings for the year were equivalent to \$7.49 a share on the 257,260 shares of Common stock outstanding as compared with \$4.14 a share in 1937, \$4.73 in 1936 and \$4.12 in 1935.

As pointed out in our report to you a year ago, the market prices of rubber and cotton were low at the end of 1937 and at that time provision was made from the profits of 1937 for the decline by valuing the year-end inventories and commitments on the Company's usual basis of cost or market, whichever was lower. The Company, therefore, entered the year 1938 with

its inventories on a low market price basis which is the principal reason for the improvement in the showing of net profits for 1938, notwithstanding that there was a reduction in its net sales, in common with the Industry.

The market prices of rubber which, as already stated, were low at the beginning of the year strengthened as the year progressed; the low price of No. 1 Ribbed Smoked Sheets for the year was $10\frac{1}{4}c$ per lb. in March, the high was $17\frac{1}{4}c$ in October and the close at December 31st was $16\frac{3}{8}c$. The market fluctuations in Raw Cotton are indicated by a high price of $9.37c$ per lb. for Spot Middling Uplands in February, a low of $7.71c$ in May and a closing price of $8.88c$ as of December 31st, 1938.

The inventories as at December 31st, 1938 were carefully reviewed and no reserve was required at that date in order to value the stocks on the usual basis of cost or market, whichever was lower.

As in former years, the profits as shown by this Annual Report include the profits on the export business for the previous fiscal year of 1937 but, on the other hand, they do not include the accrued profits on export business for 1938, which have not yet been determined.

The following summary sets out the manner in which the profits for the year have been applied —

Funds provided from profits

| | |
|---|-----------------------|
| Consolidated net profits for the year..... | \$2,228,878.85 |
| Add—Provision for depreciation..... | 528,708.70 |
| Profits before providing for depreciation.. | <u>\$2,757,587.55</u> |

Disposition of Funds

| | | |
|---|---------------|-----------------------|
| Dividends on 5% Preferred stock..... | \$ 300,000.00 | |
| Dividends on Common stock..... | 1,929,450.00 | \$2,229,450.00 |
| Expended for additions to plant and equipment (net) | | 390,750.51 |
| Increase in net current assets or working capital | | 47,906.39 |
| Increase in miscellaneous investments..... | | 28,473.09 |
| Increase in Preferred stock redemption fund | | 60,000.00 |
| Increase in deferred charges | | 1,007.56 |
| Total as above..... | | <u>\$2,757,587.55</u> |

A provision of \$528,708.70 for accruing depreciation of buildings and equipment was made on the basis of the companies' usual rates and the accumulated reserve for depreciation now stands at \$7,907,239.35. After deducting these reserves the net book value of the plants and buildings is only 36.8% of the gross book value of these assets, and the manufacturing equipment of the rubber plants, including installation, stands on the books at a net value of 13.74% of the gross book value.

Adequate reserves have been established to meet all probable losses in the realization of Accounts Receivable and provision has been made for all ascertained liabilities.

By referring to the Balance Sheet, it will be noted that the companies had no bank indebtedness, that the cash on hand and call loans and Government Bonds aggregated \$3,009,542.98, and that the cash balance alone was \$1,040,196.32 which, similarly to the position a year ago, was substantially twice the total liabilities of \$531,688.13. This strong position is after paying dividends aggregating \$2,229,450.00 represented by 5% or \$300,000.00 on the Preferred stock and the usual dividends on 257,260 shares of Common stock amounting to \$2.50 a share, plus the extra dividend of \$5.00 a share declared and paid in December 1938.

The total current assets amount to \$9,501,340.90 compared with current liabilities of \$531,688.13, a ratio of over seventeen to one.

The total amount of all taxes paid or to be paid by or through your companies during the year 1938 amounted to \$1,256,076.74 in comparison with \$1,216,278.32 in 1937.

In our report last year we pointed out the advisability of maintaining the National Protective Policy which has been applied generally to Industry in this country over the past fifty years, because at that time a further revision of the Trade Agreement between the United States and Canada was under consideration. Within the past few months the terms of this new Agreement have been made public and reductions have been made in the Canadian Customs Tariff as it applies to rubber products, which may result in increasing the importations of these commodities from the United States.

There is an inclination to hope that this Trade Agreement, by encouraging the export of our primary products, will increase the general level of our purchasing power, and widen the domestic markets for Canadian manufacturers. As to whether this will be the result, time alone will tell.

The year 1938 has been one of unsettled conditions. We have seen a war averted by a very narrow margin, but the seeds of future conflict have not been destroyed, with the result that world conditions generally are still disturbed and these in turn have their effect on all internal and external trade.

Under such conditions, it is just as impossible to make an accurate forecast of what is in store for your Company for the year which lies ahead, as it was last year. If reasonably peaceful conditions can be maintained throughout the world, particularly in Europe, there is no reason why your Company should not share in any improved trade which should prevail.

The shareholders can confidently expect that your Company's strong financial position and its well trained, experienced personnel will enable it to satisfactorily meet any condition that may arise and retain its leading position in the Rubber Industry of Canada.

Yours very truly,

A. G. PARTRIDGE,

President.

On behalf of the Board.

THE GOODYEAR TIRE & RUBBER

and SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT AND WORKING ASSETS:

| | | |
|--|----------------|-----------------|
| Cash | \$1,040,196.32 | |
| Call loans and Government bonds at cost or market whichever is lower | 1,969,346.66 | \$3,009,542.98 |
| Accounts receivable | \$2,387,295.40 | |
| Less—Reserve for bad and doubtful accounts | 256,855.12 | 2,130,440.28 |
| Inventories at cost or market, whichever is lower: | | |
| Finished goods | \$1,948,999.35 | |
| Goods in process | 345,000.59 | |
| Raw materials and supplies | 2,067,357.70 | 4,361,357.64 |
| | | \$ 9,501,340.90 |

MISCELLANEOUS INVESTMENTS:

| | |
|-----------------------------|------------|
| Stocks, bonds and mortgages | 215,578.49 |
|-----------------------------|------------|

PREFERRED STOCK REDEMPTION FUND:

147,000.00

REAL ESTATE, BUILDINGS, PLANT, MACHINERY AND EQUIPMENT:

12,917,043.99

DEFERRED CHARGES TO OPERATIONS:

| | |
|--|-----------|
| Insurance, taxes and rents paid in advance | 57,931.46 |
|--|-----------|

\$22,838,894.84

COMPANY OF CANADA, LIMITED

COMPANIES

DECEMBER 31, 1938

LIABILITIES

CURRENT LIABILITIES:

| | | |
|------------------------------------|---------------|---------------|
| Current accounts payable | \$ 103,342.21 | |
| Reserve for income and other taxes | 428,345.92 | \$ 531,688.13 |
| | | <hr/> |

RESERVE FOR DEPRECIATION OF BUILDINGS, PLANT, MACHINERY AND EQUIPMENT

7,907,239.35

CAPITAL STOCK:

Five percent Cumulative Redeemable Preferred Stock:

Authorized—

160,000 shares of \$50.00 each \$ 8,000,000.00

Issued and fully paid—

120,000 shares of \$50.00 each 6,000,000.00

Common Stock:

Authorized—

290,660 shares of no par value of which

257,260 shares have been issued \$ 128,630.00

Capital surplus 463,068.00

591,698.00

SURPLUS:

Balance as at January 1, 1938 \$ 7,808,840.51

Profit for the year ending December 31, 1938, before providing for depreciation, but after deducting income tax \$2,757,587.55

Less—Reserve for depreciation 528,708.70

2,228,878.85

\$10,037,719.36

Deduct—Dividends:

On five percent Preferred Stock \$ 300,000.00

On no par value Common Stock 1,929,450.00 2,229,450.00

7,808,269.36

\$22,838,894.84

PRICE, WATERHOUSE & CO.

Chartered Accountants

ROYAL BANK BUILDING

TORONTO, CANADA

January 28, 1939.

To the Shareholders of

THE GOODYEAR TIRE AND RUBBER COMPANY
OF CANADA, LIMITED:

We have made an examination of the consolidated balance sheet of The Goodyear Tire and Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1938. In connection therewith, we examined or tested accounting records and other supporting evidence, and obtained all the information and explanations which we required; we also made a general review of the accounting methods and of the operating and income accounts for the year, but our audit of the detailed transactions was confined to limited tests thereof.

We satisfied ourselves that all charges to Property Accounts are in respect of actual additions, and sufficient provision has been made for accruing depreciation. The stocks on hand or contracted for have been taken and valued by the companies at cost or market prices, whichever were lower; the bad debt reserve is considered sufficient to provide for all doubtful accounts; the bank balances and call loans were confirmed by certificates, the government bonds owned were produced for our inspection and we have taken all reasonable precautions to satisfy ourselves that all liabilities as at December 31, 1938 are included in the balance sheet.

In our opinion, based upon such examination, the annexed consolidated balance sheet is drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as at December 31, 1938, and the results from the operations for the year ending on that date, according to the best of our information and the explanations given to us, and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Rubber Goods for Industry

Across Canada and in foreign lands Goodyear supplies "made-in-Canada" rubber goods for use in almost every type of industry. Goodyear Conveyor belts are carrying logs, ore, coal, grain and food products. Goodyear Transmission Belts are designed for use in "heavy industry" or for use on labor-saving machinery in the home. Goodyear Hose carries water, oil, gasoline and other fluids as well as compressed air and steam. In addition, Goodyear's mechanical goods division produces an extensive range of rubber products including mats of every description.





**HERE IS
WHAT HAPPENS
WITH LIFEGUARDS
ON YOUR CAR**



WHEN CASING BLOWS OUT



WHEN TUBE BLOWS OUT



**LifeGuard Retains Sufficient
Air for Safe, Sure Stops**

The Goodyear LifeGuard. A Goodyear invention which prevents accidents resulting from tire blowouts. LifeGuard, as will be seen from the illustration, is, in effect, a double inner tube, with the innermost tube made of two plies of fabric and enclosed in a more conventional outer tube of rubber.

The LifeGuard is inflated through a valve which first fills the inner fabric tube. When there is sufficient pressure in this tube, enough air to equalize passes through a small grommet into the outer rubber tube.

When a blowout occurs, the tire blows and the rubber tube blows but the inside tube of fabric retains enough air to permit the car to be brought to a safe and steady stop or perhaps run to a nearby service station.

There is no lurch, swerve or loss of control when a blowout occurs in a LifeGuard-equipped tire. Not one LifeGuard—of all the thousands in use—ever has failed to prevent an accident after a blowout.



The Double Eagle Tire. The Double Eagle is an automobile tire of entirely new character. Instead of a body of cotton cords, it is made of cords manufactured from rayon filaments. These cords are known as Rayotwist.

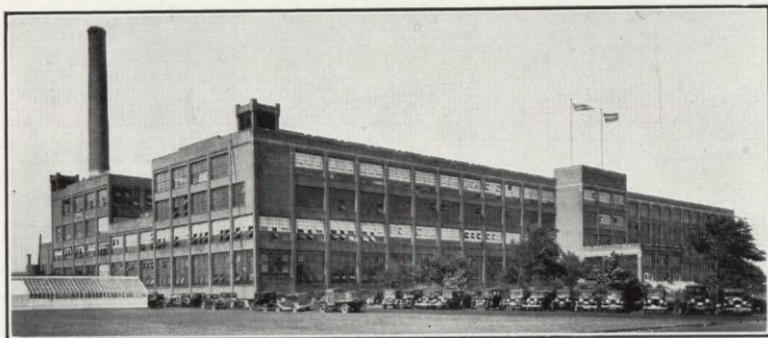
Goodyear proved by the performance of a rayon truck and bus tire, the Y.K.L., that rayon cords resist the heat set up by high speed travel and enable the tire to give longer and less troublesome service than a tire made of cotton cords.

Goodyear therefore presents now for the first time the Double Eagle Rayotwist Automobile Tire.

This tire has an extra thick and tough tread and while it sells at a price slightly higher than that of a so-called standard tire, we believe that it will give extra service more than commensurate with its extra cost.



GOODYEAR FACTORIES



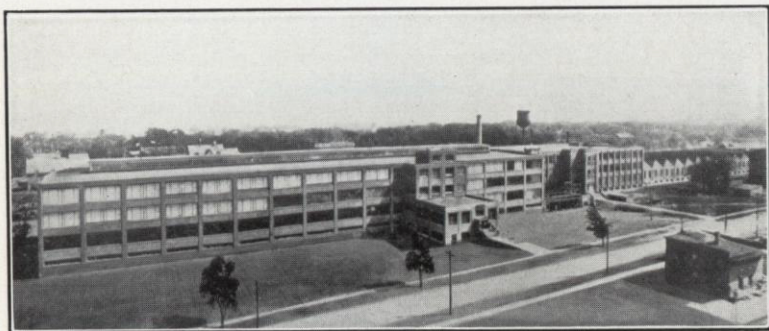
New Toronto
Ontario

Head office and plant, where automobile and truck tires, accessories and cement are manufactured. Floor space 18.5 acres.



Bowmanville
Ontario

Mechanical goods plant, where belting, hose, soles, heels, mats and moulded goods are manufactured. Floor space 6.4 acres.



St. Hyacinthe
Quebec

Cotton mill, where the famous "Supertwist Cord" used exclusively in Goodyear Tires is manufactured. Floor space 9.1 acres.

The Goodyear Tire & Rubber Company of Canada, Limited

General Offices: NEW TORONTO, ONT.

Factories:, { NEW TORONTO, ONT.
BOWMANVILLE, ONT.

Cotton Plant: ST. HYACINTHE, QUE.

BRANCHES

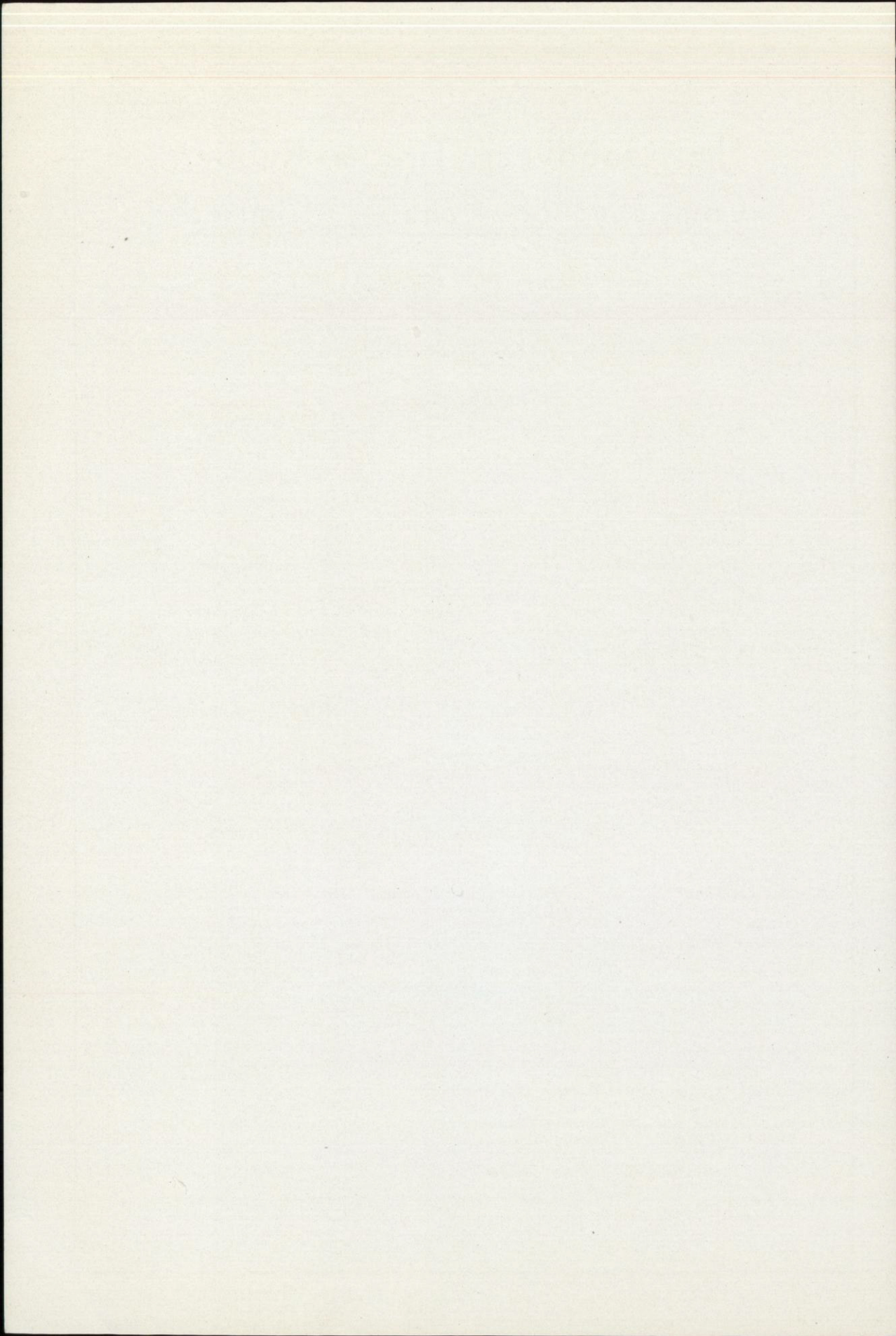
| | |
|------------------|--------------------------------|
| ST. JOHN, N.B. | 83 Prince William St. |
| QUEBEC, QUE. | Cor. Crown and Fleury Sts. |
| MONTREAL, QUE. | 679 St. James St. W. |
| TORONTO, ONT. | 204 Richmond St. W. |
| LONDON, ONT. | 539 Richmond St. |
| WINDSOR, ONT. | 444 Hanna St., E. |
| WINNIPEG, MAN. | 97 Higgins Ave. |
| REGINA, SASK. | Cor. Broad St. and 6th Ave. |
| SASKATOON, SASK. | Cor. 24th St. and Pacific Ave. |
| CALGARY, ALTA. | 537—8th Ave. West |
| VANCOUVER, B.C. | Cor. Nelson and Hamilton Sts. |

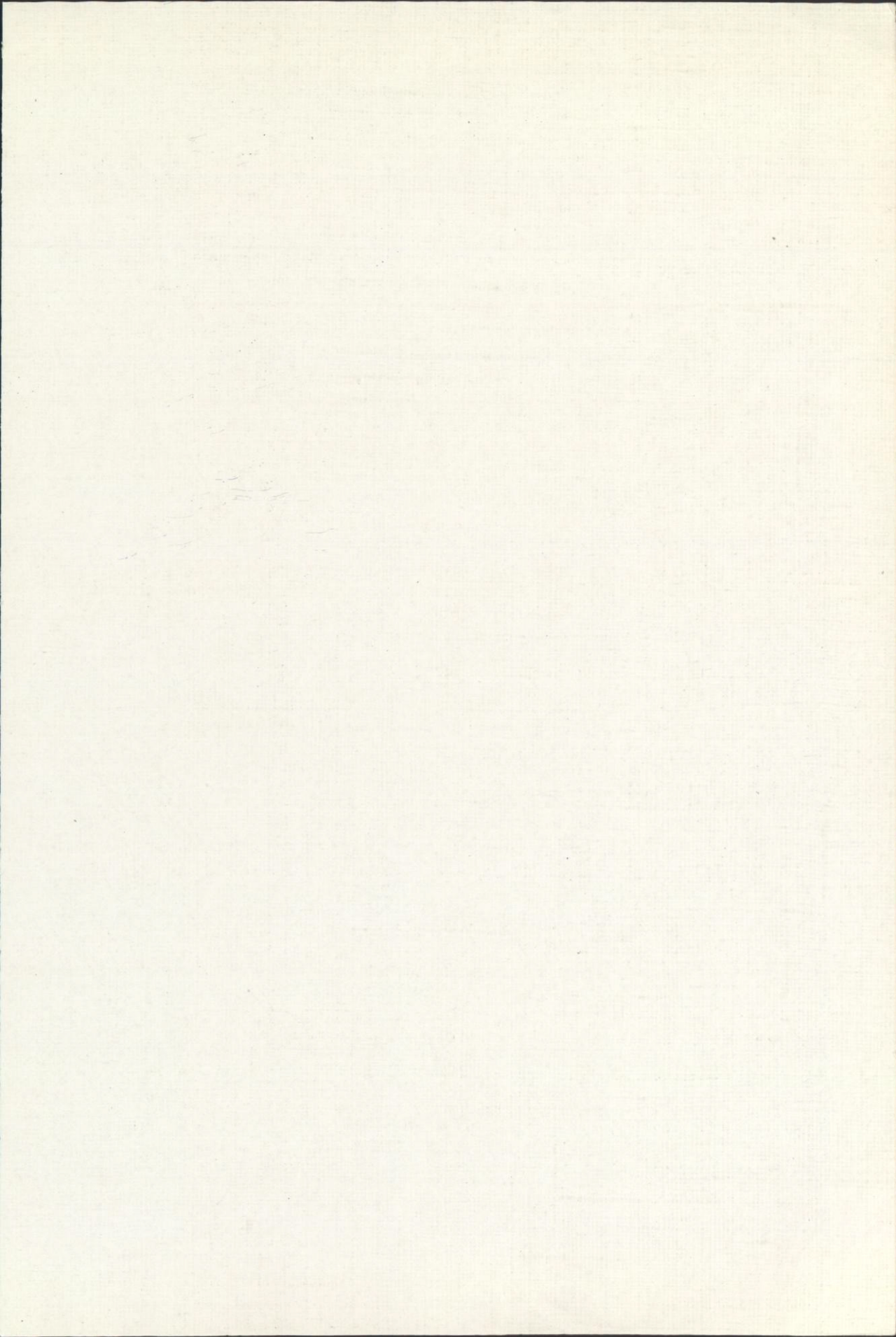
WHOLESALE DISTRIBUTORS

| | | |
|-----------------|--|----------------|
| Sydney, N. S. | Cape Breton Battery & Vulcanizing Co. Ltd. | 416 George St. |
| Halifax, N. S. | Maritime Accessories Limited | 16 Argyle St. |
| Victoria, B. C. | B. R. Ciceri & Co. | 847 Yates St. |

WHOLESALE WAREHOUSES

| | | |
|-------------------------|---------------------------------|----------------------------|
| Truro, N. S. | Colchester Motor Sales | Willow Street |
| Yarmouth, N. S. | Motor Mart Ltd. | Main Street |
| Charlottetown, P. E. I. | A. Horne & Co. (Central Garage) | Kent Street |
| Moncton, N. B. | Sumner Tire Service | 635 Main Street |
| Ottawa, Ont. | Frisby The Vulcanizer | 86 Lyon Street |
| Kingston, Ont. | Van Luven Eros. Ltd. | 34-38 Princess Street |
| Owen Sound, Ont. | Albert Jackman | 179—2nd Avenue E. |
| North Bay, Ont. | White's Tire Shop, Limited | 99 Main Street E. |
| Noranda, Que. | Taylor Hardware (Quebec) Ltd. | D— Avenue |
| Timmins, Ont. | Marshall-Ecclestone Ltd. | 16 Pine Street S. |
| Hamilton, Ont. | A. F. Dell | 43 Main Street E. |
| Kitchener, Ont. | Mel. Berg | 324 King Street E. |
| Chatham, Ont. | Frank Murray Limited | 42—Fourth Street |
| Port Arthur, Ont. | John A. Nicholson | 271 Bay Street |
| Brandon, Man. | Kerr's | Cor. 12th & Princess Sts. |
| Yorkton, Sask. | Ted's Tire Shop | 44 Broadway E. |
| North Battleford, Sask. | Northern Auto Parts | 1202 Edward Street |
| Prince Albert, Sask. | Grosser & Glass Ltd. | 29-31 Twelfth St. W. |
| Swift Current, Sask. | Standard Motors Ltd. | Cheadle and 1st Street, W. |
| Edmonton, Alta. | Taylor & Pearson Ltd. | 10215—103rd Street |
| Grande Prairie, Alta. | Grande Prairie Garage Co. Ltd. | Second Street |
| Lethbridge, Alta. | H. R. Carson Co. Ltd. | 316—7th Street S. |
| Nelson, B. C. | Nelson Transfer Co. Ltd. | 323 Vernon Street |
| Vernon, B. C. | Interior Motors Ltd. | Cor. Wetham & Tronson Sts. |





GOODYEAR